

## February 2017 Revenue Update

### Major Taxes

Cash collections from Michigan major taxes, penalties and interest, and lottery transfers totaled \$901.9 million in February 2017, \$180.8 million less than in February 2016. For the fiscal year-to-date, collections in FY 2016-17 are \$341.9 million (or 5.0%) higher than during FY 2015-16.

Net income tax revenue totaled \$350.3 million in February 2017, and for FY 2016-17 collections through February are \$134.2 million (or 4.3%) higher than the same period during FY 2015-16. Year-to-date collections from both withholding and estimated payments are higher than in FY 2015-16, by \$34.1 million and \$59.0 million respectively. Refunds are \$45.1 million lower, which increases the revenue gains, although this is likely attributable to filing delays.

Net business taxes are the sum of the single business tax (SBT), the Michigan business tax (MBT), the corporate income tax (CIT), and insurance company taxes. Because of the uncertainty over when existing certificated MEGA credits will be claimed and the inherent volatility of corporate income taxes, monthly collections of business taxes can display significant fluctuations that diverge from historical patterns. On a fiscal year-to-date basis, net business taxes are \$91.7 million higher through February 2017 than a year ago in spite of the fact that the February 2017 total was a negative \$261.2 million.

Collections from consumption taxes, made up of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$672.7 million in February 2017, and are collectively \$78.2 million higher than in FY 2015-16 on a year-to-date basis. Year-to-date sales tax revenue has grown faster than the consensus estimate, although use tax collections are substantially below the projected growth rate.

Revenue from the state education tax (SET) and the real estate transfer tax (RET) in February 2017 was \$17.3 million and \$22.8 million, respectively. Transfers from the lottery to the School Aid Fund were \$79.0 million in February 2017, and just \$2.0 million below FY 2015-16 on a year-to-date basis.

### General Fund/General Purpose (GF/GP) Tax Revenue

General Fund revenue from Michigan major taxes is estimated<sup>1</sup> to be \$42.6 million in February 2017, roughly \$196.6 million below the projection established at the January 2017 consensus revenue estimating conference (CREC). While income tax revenue accruing to the General Fund was \$42.9 million above target, net business taxes in February 2017 were \$237.5 million less than anticipated.

Year-to-date GF/GP tax revenue for FY 2016-17 is \$170.3 million below the projected amount, although a substantial portion of the shortfall is likely due to the timing of MEGA credits reducing net business taxes.

### School Aid Fund Revenue

School Aid Fund revenue from Michigan major taxes is estimated<sup>1</sup> to be \$769.6 million in February 2017, about \$4.5 million above the amount established at the January 2017 consensus revenue estimating conference. Sales collections accruing to the SAF were \$16.9 million above target, but were partially offset by lower than anticipated use tax collections and lottery transfers.

Year-to-date SAF revenue for FY 2016-17 is \$41.7 million above the January 2017 projections.

<sup>1</sup> Because of accruals and undistributed revenue, monthly fund splits are estimated.

**FY 2016-17 February Revenue Collections**  
**Millions of Dollars**

<u>Major Taxes</u>	<u>FY 2016-17</u> <u>February</u>	<u>Year-to-Date Collections</u>		<u>Change from</u> <u>FY 2015-16 Year-to-Date</u>		<u>FY 2016-17 Estimates</u> <u>(January 2017 CREC)</u>	
		<u>FY 2015-16</u>	<u>FY 2016-17</u>	<u>Dollar</u>	<u>% Change</u>	<u>Dollar</u>	<u>% Change</u>
Individual Income Tax							
Withholding	\$735.7	\$3,181.1	\$3,215.1	\$34.1	1.1%	\$9,598.0	4.1%
Quarterly Income Tax	11.2	390.5	449.4	59.0	15.1%	1,097.0	3.6%
Annual Income Tax	<u>22.0</u>	<u>75.1</u>	<u>71.1</u>	<u>(3.9)</u>	-5.3%	<u>941.0</u>	4.6%
<b>Gross Income Tax</b>	<b>768.9</b>	<b>3,646.6</b>	<b>3,735.7</b>	<b>89.1</b>	<b>2.4%</b>	<b>11,636.0</b>	<b>4.1%</b>
Less: Income Tax Refunds	418.6	543.8	498.7	(45.1)	-8.3%	1,879.0	5.9%
<b>Net Income Tax</b>	<b>350.3</b>	<b>3,102.7</b>	<b>3,236.9</b>	<b>134.2</b>	<b>4.3%</b>	<b>9,757.0</b>	<b>3.8%</b>
Business Taxes							
Single Business Tax	0.5	(10.9)	9.5	20.4		(5.0)	
Michigan Business Tax	(293.4)	(431.2)	(433.6)	(2.3)		(672.8)	
Corporate Income Tax	19.5	269.9	332.3	62.4	23.1%	946.5	1.6%
Insurance Company Taxes	<u>12.3</u>	<u>75.7</u>	<u>86.9</u>	<u>11.2</u>	14.8%	<u>405.6</u>	28.4%
<b>Subtotal</b>	<b>(261.2)</b>	<b>(96.6)</b>	<b>(4.9)</b>	<b>91.7</b>	<b>-94.9%</b>	<b>674.3</b>	<b>3.0%</b>
Consumption Taxes							
Sales Tax	542.4	2,332.2	2,530.2	197.9	8.5%	7,485.2	2.4%
Use Tax	48.6	460.9	340.4	(120.5)	-26.1%	1,193.6	-11.2%
Beer and Wine Taxes	3.2	16.2	15.8	(0.4)	-2.5%	53.0	1.9%
Liquor Excise Tax	6.7	35.8	36.3	0.5	1.5%	107.6	4.9%
Tobacco Taxes	<u>71.9</u>	<u>303.0</u>	<u>303.7</u>	<u>0.7</u>	0.2%	<u>934.4</u>	-2.4%
<b>Subtotal</b>	<b>672.7</b>	<b>3,148.2</b>	<b>3,226.4</b>	<b>78.2</b>	<b>2.5%</b>	<b>9,773.8</b>	<b>0.3%</b>
Other Miscellaneous Taxes							
State Education Tax	17.3	255.5	292.5	37.0	14.5%	1,933.9	2.1%
Real Estate Transfer Tax	22.8	85.8	97.9	12.1	14.0%	305.2	10.6%
Essential Services Assessment	0.0	0.0	0.1	0.1		75.0	36.4%
Industrial Facilities/Commercial Forest Taxes	1.7	7.9	5.9	(2.0)	-25.7%	35.0	-2.8%
Casino Wagering Tax	9.5	37.2	37.1	(0.2)	-0.4%	114.0	1.8%
Gas and Oil Severance Tax	1.9	6.3	7.9	1.5	24.1%	23.6	15.7%
Telephone and Telegraph Tax	0.0	14.5	13.8	(0.7)	-4.9%	36.6	-12.9%
Penalties and Interest	7.9	35.0	26.9	(8.1)	-23.1%	122.3	6.3%
Lottery Transfer to SAF	<u>79.0</u>	<u>300.0</u>	<u>298.0</u>	<u>(2.0)</u>	-0.7%	<u>892.0</u>	4.9%
<b>Subtotal</b>	<b>140.1</b>	<b>742.3</b>	<b>780.1</b>	<b>37.7</b>	<b>5.1%</b>	<b>3,537.6</b>	<b>10.0%</b>
<b>TOTAL</b>	<b>\$901.9</b>	<b>\$6,896.7</b>	<b>\$7,238.5</b>	<b>\$341.9</b>	<b>5.0%</b>	<b>\$23,742.7</b>	<b>8.8%</b>

*Note: Numbers may not add due to rounding.*